

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Coopersville	County Ottawa
Fiscal Year End 6-30-06	Opinion Date 8-16-06	Date Audit Report Submitted to State 10-25-06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

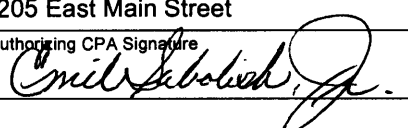
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Kiekoover, Scholma & Shumaker, PC		Telephone Number 616-772-4615	
Street Address 205 East Main Street		City Zeeland	State MI
Zip 49464			
Authorizing CPA Signature 		Printed Name Emil Sabolish, Jr.	
		License Number 9304	

**CITY OF COOPERSVILLE
OTTAWA COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2006**

**KIEKOVER, SCHOLMA & SHUMAKER, PC
Certified Public Accountants
Zeeland, Michigan**

City of Coopersville, Michigan
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2006

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City of Coopersville, Michigan
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

August 16, 2006

Honorable City Council
City of Coopersville
Ottawa County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Coopersville, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the city's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Coopersville, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Coopersville, Michigan, as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages II through XII and 23 through 26, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coopersville, Michigan's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kiekover, Scholma & Shumaker, PC

Management's Discussion and Analysis

As management of the City of Coopersville Michigan, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the City's financial statements that follow this section.

Financial Highlights

- The assets of the City of Coopersville exceeded its liabilities at the close of the most recent fiscal year by \$6,798,672 (*net assets*). Of this amount, \$2,035,481 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$657,047. Approximately 71% of this increase (\$466,082) is attributable to net additional investment in capital assets.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,361,348, an increase of \$2,392,680 in comparison with the prior year. Approximately 37% of this total amount, \$1,244,842 is *available for spending* at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$907,972 or 44% of total general fund expenditures and transfers out.
- The City's total debt increased by \$1,946,075 (70%) during the current fiscal year. This is the result of the City making its required scheduled debt service payments while incurring new debt during the year of \$2,215,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Coopersville is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and accrued interest payable).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, community and economic development, and recreation and culture. The business-type activities of the City include water supply and sewage disposal operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also its component unit. The Coopersville Downtown Development Authority, an entity legally separate from the City, is governed by a twelve-member board appointed by the City Council. The Authority is fiscally dependent on the City because tax rates for the Downtown Development Authority district and bonded debt must be approved by the City Council.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories, governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains fourteen (14) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Major Street, Local Street, and 2006 Capital Improvement Construction Funds. Each of these funds is considered to be a major fund. The City of Coopersville has ten (10) nonmajor funds. These include special revenue funds, debt service funds, capital project funds and one permanent fund. The permanent fund is used to record the activity of the Cemetery Trust. Data from the other ten governmental funds are combined into a single aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General, Major Streets and Local Streets Funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 3-5 of this report.

Proprietary funds. The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water supply and sewage disposal operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for the rental of machinery, equipment, and vehicles to other departments, and related costs. Because these services predominantly benefit governmental rather than business-type functions, the assets and liabilities of the internal service fund have been included within *governmental activities* in the government-wide statement of net assets.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Supply System and Sewage Disposal System Funds, both of which are considered to be major funds of the City. The proprietary fund financial statements also provide separate information for the internal service fund.

The basic proprietary fund financial statements can be found on pages 6-8 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for the proprietary funds. The City accounts for one type of fiduciary funds – agency funds.

The City maintains two agency funds to account for tax collections and the Meadow Green Escrow account.

The basic fiduciary fund financial statements can be found on page 9 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-22 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* presenting budgetary comparison schedules for the City's General Fund, Major Street Fund and Local Street Fund. Required supplementary information can be found on pages 23-26 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements for the discretely presented component unit are also presented immediately following the required supplementary information. Combining statements can be found on pages 27-30 of this report.

Government-wide Financial Analysis

Net Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Coopersville, assets exceeded liabilities by \$6,798,672 at the close of the most recent fiscal year.

The largest portion of the City's net assets (68.4%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (1.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$2,035,481) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The following table shows, in a condensed format, the net assets of the City of Coopersville as of December 31, 2006 and 2005.

City of Coopersville's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 3,520,019	\$ 1,191,664	\$ 821,674	\$ 1,025,180	\$ 4,341,693	\$ 2,216,844
Capital assets	2,192,540	1,752,852	5,105,546	5,220,214	7,298,086	6,973,066
Total assets	5,712,559	2,944,516	5,927,220	6,245,394	11,639,779	9,189,910
Long-term debt outstanding	2,828,191	772,116	1,905,000	2,015,000	4,733,191	2,787,116
Other liabilities	24,868	158,453	83,048	102,716	107,916	261,169
Total liabilities	2,853,059	930,569	1,988,048	2,117,716	4,841,107	3,048,285
Net assets:						
Invested in capital assets, net of related debt	1,451,486	980,736	3,200,546	3,205,214	4,652,032	4,185,950
Restricted	29,369	27,097	81,790	81,790	111,159	108,887
Unrestricted	1,378,645	1,006,114	656,836	840,674	2,035,481	1,846,788
	\$ 2,859,500	\$ 2,013,947	\$ 3,939,172	\$ 4,127,678	\$ 6,798,672	\$ 6,141,625

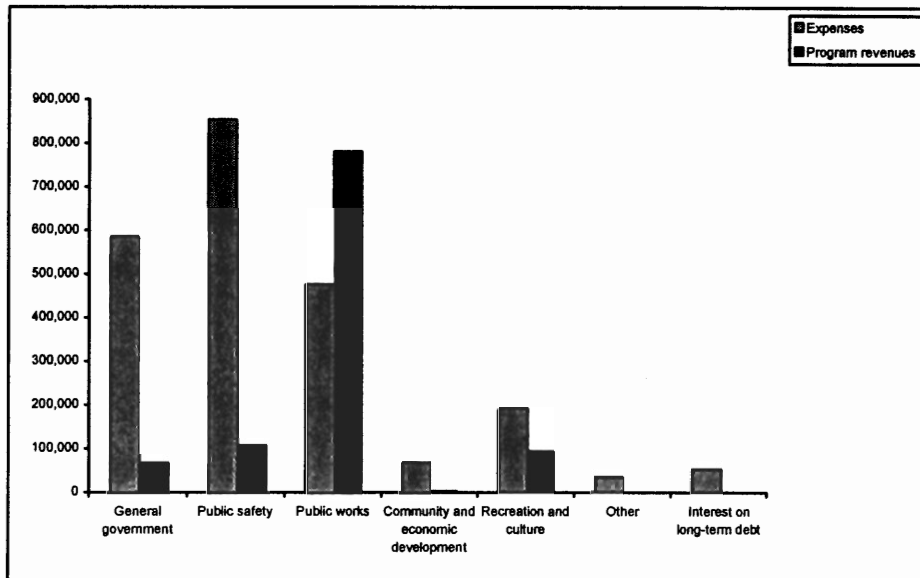
Change in Net Assets - The City of Coopersville's net assets increased by \$657,047 during the current fiscal year. This increase is caused by an \$845,553 increase in net assets of governmental activities and an \$188,506 decrease in net assets of business-type activities.

City of Coopersville's Changes in Net Assets

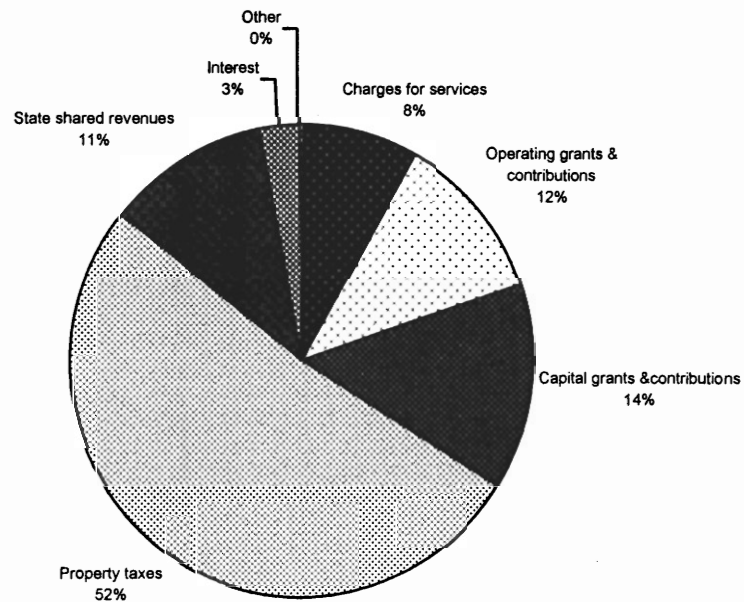
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Program revenues						
Charges for services	\$ 251,017	\$ 306,405	\$ 905,826	\$ 957,106	\$ 1,156,843	\$ 1,263,511
Operating grants and contributions	356,819	358,097	-	-	356,819	358,097
Capital grants and contributions	439,230	-	-	-	439,230	-
General revenues						
Property taxes	1,607,825	1,525,793	56,331	57,016	1,664,156	1,582,809
State shared revenues	350,736	354,770	-	-	350,736	354,770
Interest	83,649	34,943	29,532	16,594	113,181	51,537
Other	8,832	6,971	14,638	17,046	23,470	24,017
Total revenues	<u>3,098,108</u>	<u>2,586,979</u>	<u>1,006,327</u>	<u>1,047,762</u>	<u>4,104,435</u>	<u>3,634,741</u>
Program expenses						
General government	583,230	592,420	-	-	583,230	592,420
Public safety	852,946	835,630	-	-	852,946	835,630
Public works	475,691	457,235	-	-	475,691	457,235
Community and economic development	65,696	71,353	-	-	65,696	71,353
Recreation and culture	190,182	211,230	-	-	190,182	211,230
Other	34,119	32,651	-	-	34,119	32,651
Interest on long-term debt	50,691	55,947	-	-	50,691	55,947
Water supply	-	-	683,932	641,576	683,932	641,576
Sewage disposal	-	-	510,901	507,460	510,901	507,460
Total expenses	<u>2,252,555</u>	<u>2,256,466</u>	<u>1,194,833</u>	<u>1,149,036</u>	<u>3,447,388</u>	<u>3,405,502</u>
Change in Net Assets	<u>\$ 845,553</u>	<u>\$ 330,513</u>	<u>\$ (188,506)</u>	<u>\$ (101,274)</u>	<u>\$ 657,047</u>	<u>\$ 229,239</u>

Governmental activities. Governmental activities increased the City's net assets by \$845,553 accounting for 128.7% of the total growth in the net assets of the City. Property taxes increased by \$82,032 (5.4%) from the prior year. This increase was the result of increased taxable values that allowed the City of Coopersville to increase its property tax revenues even after a reduction in its tax rate of .0131 mills.

Expenses and Program Revenues – Governmental Activities

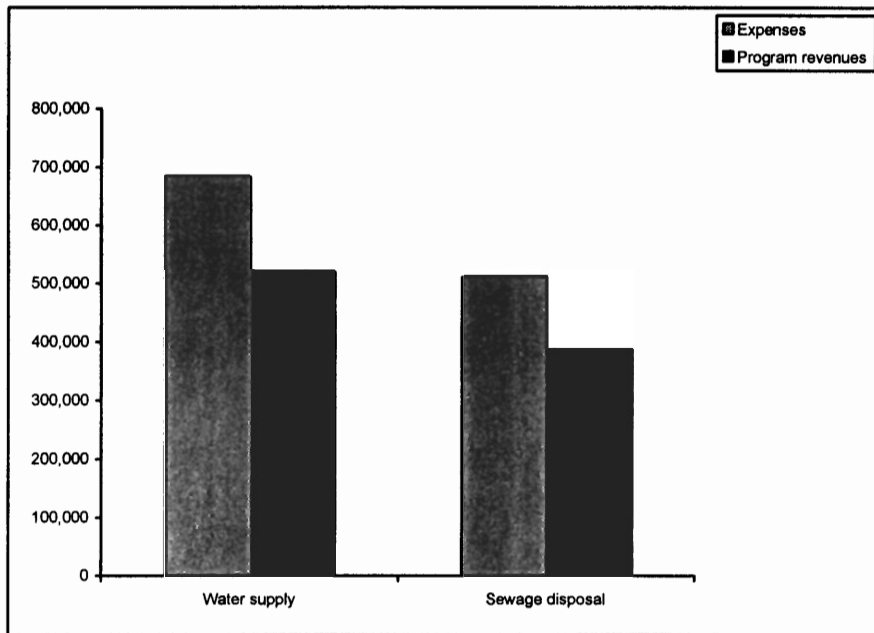


Revenues by Source – Governmental Activities

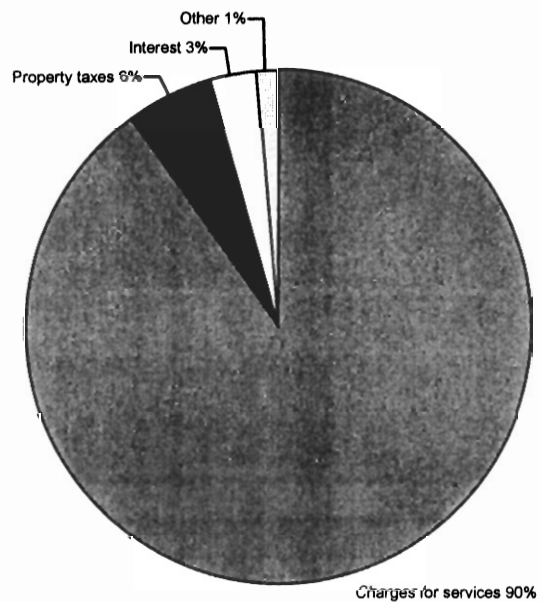


Business-type activities. Business-type activities decreased the City of Coopersville's net assets by \$188,506 (-29%). Operating revenues decreased by \$51,290 due mostly to a decrease in water and sewage disposal sales. Operating expenses increased by \$45,797 from the prior year, mainly due to increases in water operating costs.

Expenses and Program Revenues-Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,361,348, an increase of \$2,392,680 from the prior year. Approximately 37% of this amount (\$1,244,842) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for required debt service (\$23,054), the maintenance of the City of Coopersville's cemetery (\$6,315 non-expendable), and for capital improvement projects (\$2,087,137).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year the fund balance of the General Fund was \$907,972, which is all unreserved. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance (\$907,972) represents 44% of total General Fund expenditures and transfers out (\$2,072,286).

The fund balance of the City's General Fund increased by \$273,285 during the current fiscal year. Total revenue sources increased by \$112,302 or 5.2%. Property taxes increased by \$82,032 or 5.4%. State shared revenues decreased by \$2,478 or .7%. Transfers in from other funds increased by \$40,457 or 278%. General Fund expenditures increased by \$7,094 or .4%, while transfers out to other funds decreased by \$71,803 or 15.5%.

The Major Street Fund has a total fund balance of \$9,312, a decrease of \$14,067 during the year. Total revenues increased by \$384,017 due mainly to \$387,230 in federal grant revenues received for culvert replacement at East and Cleveland Streets. Transfers from other funds decreased by \$23,000 compared to the prior year. Major Street Fund expenditures increased by \$361,675 compared to the prior year, mainly due to construction costs for the East and Cleveland Streets culvert.

The Local Street Fund has a fund balance of \$77,269, an increase of \$12,721 during the year. Total revenue decreased by \$2,374, and transfers in decreased by \$2,616 from the prior year. Expenditures increased by \$11,658 from the prior year. Surface maintenance costs increased by \$12,601 while all other costs decreased by \$943.

The 2006 Capital Improvement Construction Fund was established during the current fiscal year and has a fund balance of \$2,087,131 at June 30, 2006. During the year the City issued \$1,715,000 of general obligation bonds and received a \$500,000 loan from the Ottawa County Revolving Loan Fund while incurring expenditures totaling \$119,309 mainly for engineering and bond issuance costs. Bond and loan proceeds will be used for street repairs, installation of new water and sewer lines, and the removal of sludge at the wastewater treatment plant.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements (business-type activities), but in more detail.

Unrestricted net assets of the Water Supply System and Sewage Disposal System Funds at the end of the year amounted to \$346,419 and \$271,836, respectively. Decreases in the Water Supply System and Sewage Disposal System Funds' net assets during the current year were \$85,064 and \$107,432, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Over the course of the year, the City Council amended the budget to take into account events during the year. The most significant change was to increase estimated expenditures for sheriff and attorney services. City operational departments stayed below budget overall, resulting in total expenditures \$177,986 below the final budget.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounted to \$7,298,086 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, and street and sidewalks. The total increase in the City's investment in capital assets for the current fiscal year was \$439,688 (25.1%) for governmental activities. The City's investment in capital assets for the current fiscal year decreased by \$114,698 (2.2%) for business-type activities.

Major capital asset events during the current fiscal year included the following:

- \$56,291 expended for construction of a multi-purpose skating rink
- \$599,235 expended for street improvements
- \$125,808 expended for wastewater treatment plant improvements
- \$23,443 expended for wastewater treatment plant equipment

Additional information on the City's capital assets can be found in note 3C on pages 17-18 of this report.

City of Coopersville's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 130,051	\$ 130,051	\$ 47,250	\$ 47,250	\$ 177,301	\$ 177,301
Construction in progress	703,449	74,590	125,408	-	828,857	74,590
Land improvements	197,523	278,139	-	-	197,523	278,139
Buildings and improvements	887,755	892,737	26,468	28,572	914,223	921,309
Systems	-	-	4,906,277	5,144,232	4,906,277	5,144,232
Machinery, equipment, vehicles	135,774	230,747	143	190	135,917	230,937
Infrastructure	137,988	146,588	-	-	137,988	146,588
Total	<u>\$ 2,192,540</u>	<u>\$ 1,752,852</u>	<u>\$ 5,105,546</u>	<u>\$ 5,220,244</u>	<u>\$ 7,298,086</u>	<u>\$ 6,973,096</u>

Long-term debt. At the end of the current fiscal year, the City had total installment debt outstanding of \$4,733,191. Of this amount, \$2,828,191 is general obligation debt and \$1,905,000 is paid from specified revenue sources.

City of Coopersville's Outstanding Debt
General Obligation and Revenue Bonds and Notes Payable

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 1,965,000	\$ 320,000	\$ -	\$ -	\$ 1,965,000	\$ 320,000
County revolving fund loan	500,000	-	-	-	500,000	-
Michigan transportation bonds	310,000	340,000	-	-	310,000	340,000
Revenue bonds	-	-	660,000	705,000	660,000	705,000
County contractual obligation	-	-	720,000	750,000	720,000	750,000
Michigan Municipal Bond Authority bonds	-	-	525,000	560,000	525,000	560,000
Notes payable	53,191	112,116	-	-	53,191	112,116
Total	<u>\$ 2,828,191</u>	<u>\$ 772,116</u>	<u>\$ 1,905,000</u>	<u>\$ 2,015,000</u>	<u>\$ 4,733,191</u>	<u>\$ 2,787,116</u>

Total outstanding debt increased by \$1,946,075 during the current year. This was a result of the City making its required scheduled debt payments of \$268,925 while incurring new debt totaling \$2,215,000.

Additional information on the City's long-term debt can be found in Note 3E on pages 19-20 of this report.

Economic Factors and Next Year's Budgets and Rates

The City's budget for 2006-07 calls for a slight decrease in the overall property tax rate from 14.1558 mills to 14.1152 mills. This can be accomplished because of the stable tax base and, although the overall property tax rate decreased slightly, the decrease is directly tied to the decrease in required payments for water supply and sewage disposal debt service. Because of the impact of Proposal A, however, the City needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City will grow less than by inflation, before considering new property additions.

In Fiscal Year 2005-2006 the city sold \$1,715,000 of General Obligation Capital Improvement Bonds to help finance the reconstruction of East Randall Street, including extending the water and sewer mains, construction of a lift station, and the removal of sludge from Lagoon #1 in the city's Waste Water Treatment Plant. In spite of the uncertainty of Delphi's future in Coopersville the city earned a rating of "A+" by Fitch. To this date the city had never received a rating higher than "B1". There were several reasons given for such a strong evaluation including the city's strong financial management, continued tax base growth, and financial preparedness in projecting the budgets of the next five years in anticipation of an eventual closure of the Delphi facility. In addition, the city had increased the general fund's balance from \$437,688 in June 2002 to a projected fund balance of \$803,787 by the end of Fiscal Year 2006-2007 in an environment that witnessed reduced state-shared revenues, lower interest income, and higher expenditures such as health care insurance.

The above road reconstruction and extension of the water and sewer mains provides a major investment in infrastructure for the east side of the city. This investment will provide an environment where continued smart growth strategies will help insure sound growth and a stable tax base.

After an evaluation of the city's water and sewer funds management concluded that current charges were not adequate to pay for future capital improvement projects and maintain a healthy fund balance in those accounts for continued upgrades and maintenance. The city council voted to increase the water rates from \$2.13 to \$2.52 per 100 cubic feet and the service charge from \$3.00 to \$6.00. Sewer rates were increased from \$1.73 to \$2.163 per 100 cubic feet and the service charge from \$2.50 to \$5.00. These new rates better reflect, not only actual costs of water from the City of Grand Rapids, but provide a more balanced and equitable means to provide high quality services for years to come.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, 289 Danforth, Coopersville, MI 49404.

Basic Financial Statements

City of Coopersville
STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities	Business Type Activities	Total	Component Unit
ASSETS				
Cash and investments	\$ 3,451,270	\$ 517,616	\$ 3,968,886	\$ 117,177
Receivables:				
Accounts	5,610	170,432	176,042	-
Special assessments	-	13,255	13,255	-
Due from other governments	88,780	-	88,780	-
Internal balances	(38,581)	38,581	-	-
Prepaid items	12,940	-	12,940	-
Restricted cash-revenue bond covenant accounts	-	81,790	81,790	-
Capital assets	2,192,540	5,105,546	7,298,086	-
 Total Assets	 5,712,559	 5,927,220	 11,639,779	 117,177
LIABILITIES				
Accounts payable	62,507	48,715	111,222	3,835
Accrued liabilities	26,444	21,078	47,522	9,190
Deferred revenue	-	13,255	13,255	-
Noncurrent liabilities:				
Due within one year	193,296	115,000	308,296	140,000
Due in more than one year	2,634,895	1,790,000	4,424,895	915,000
Deferred bond issuance costs	(64,083)	-	(64,083)	-
 Total Liabilities	 2,853,059	 1,988,048	 4,841,107	 1,068,025
NET ASSETS				
Invested in capital assets, net of related debt	1,451,486	3,200,546	4,652,032	(1,055,000)
Restricted for:				
Debt service	23,054	81,790	104,844	-
Perpetual care-nonexpendable	6,315	-	6,315	-
Unrestricted	1,378,645	656,836	2,035,481	104,152
 Total Net Assets (Deficit)	 \$ 2,859,500	 \$ 3,939,172	 \$ 6,798,672	 \$ (950,848)

City of Coopersville
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Function/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	Component Unit
Primary Government:								
Governmental Activities:								
General government	\$ 583,230	\$ 66,307	\$ -	\$ -	\$ (516,923)	\$ -	\$ (516,923)	\$ -
Public safety	852,946	26,424	78,774	-	(747,748)	-	(747,748)	-
Public works	475,691	115,170	278,045	387,230	304,754	-	304,754	-
Community and economic development	65,696	3,104	-	-	(62,592)	-	(62,592)	-
Recreation and culture	190,182	40,012	-	52,000	(98,170)	-	(98,170)	-
Other	34,119	-	-	-	(34,119)	-	(34,119)	-
Interest on long-term debt	50,691	-	-	-	(50,691)	-	(50,691)	-
Total Governmental Activities	2,252,555	251,017	356,819	439,230	(1,205,489)	-	(1,205,489)	-
Business-type activities:								
Water supply	683,932	519,616	-	-	-	(164,316)	(164,316)	-
Sewage disposal	510,901	386,210	-	-	-	(124,691)	(124,691)	-
Total Business-type Activities	1,194,833	905,826	-	-	-	(289,007)	(289,007)	-
Total Primary Government	\$ 3,447,388	\$ 1,156,843	\$ 356,819	\$ 439,230	(1,205,489)	(289,007)	(1,494,496)	-
Component Unit:								
Downtown Development Authority	\$ 218,748	\$ 11,604	\$ -	\$ -				(207,144)
General revenues:								
Property taxes					1,607,825	56,331	1,664,156	390,000
State shared revenues					350,736	-	350,736	-
Interest					83,649	29,532	113,181	9,481
Other					8,832	14,638	23,470	-
Total General Revenues					2,051,042	100,501	2,151,543	399,481
Change in Net Assets					845,553	(188,506)	657,047	192,337
Net Assets (Deficit) - Beginning					2,013,947	4,127,678	6,141,625	(1,143,185)
Net Assets (Deficit) - Ending					\$ 2,859,500	\$ 3,939,172	\$ 6,798,672	\$ (950,848)

City of Coopersville
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General	Major Street	Local Street	2006 Capital Improvement Construction	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 946,362	\$ (682)	\$ 68,987	\$ 2,091,442	\$ 284,129	\$ 3,390,238
Receivables:						
Accounts	5,610	-	-	-	-	5,610
Special assessments	-	-	-	-	-	-
Due from other governments	-	12,290	9,967	-	-	22,257
Prepaid expenses	11,940	-	-	-	-	11,940
Total Assets	\$ 963,912	\$ 11,608	\$ 78,954	\$ 2,091,442	\$ 284,129	\$ 3,430,045
LIABILITIES						
Accounts payable	\$ 50,081	\$ 597	\$ 149	\$ 4,305	\$ 4,471	\$ 59,603
Accrued payroll	5,859	1,699	1,536	-	-	9,094
Total Liabilities	55,940	2,296	1,685	4,305	4,471	68,697
FUND BALANCES						
Reserved:						
Debt service	-	-	-	-	23,054	23,054
Perpetual care-nonexpendable	-	-	-	-	6,315	6,315
Capital projects	-	-	-	2,087,137	-	2,087,137
Unreserved-reported in:						
General Fund	907,972	-	-	-	-	907,972
Special Revenue Funds	-	9,312	77,269	-	207,707	294,288
Capital Projects Funds	-	-	-	-	42,582	42,582
Total Fund Balances	907,972	9,312	77,269	2,087,137	279,658	3,361,348
TOTAL LIABILITIES AND FUND BALANCES	\$ 963,912	\$ 11,608	\$ 78,954	\$ 2,091,442	\$ 284,129	

Amount reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

General capital assets	1,247,848
Infrastructure assets	854,931

State shared revenues (sales taxes) collected and held by the State at year end are not considered available to pay for current year expenditures

66,523

Bond issuance costs, amortized over the life of the bonds, are not reported in the funds

64,083

Interest accrued on outstanding notes payable is not reported in the funds

(17,070)

Long term liabilities are not due and payable in the current period and are not reported in the funds

(2,775,000)

Internal Service Funds are included as part of governmental activities

56,837

Net Assets of Governmental Activities

\$ 2,859,500

City of Coopersville
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	General	Major Street	Local Street	2006 Capital Improvement Construction	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 1,607,825	\$ -	\$ -	\$ -	\$ -	\$ 1,607,825
Licenses and permits	19,980	-	-	-	-	19,980
Federal grants	-	387,230	-	-	-	387,230
State grants	52,000	-	-	-	-	52,000
State shared revenues	350,664	200,644	77,401	-	-	628,709
Local unit contributions	-	-	-	-	72,200	72,200
Charges for services	167,438	-	-	-	15,425	182,863
Fines and forfeits	6,369	-	-	-	-	6,369
Interest and rent	57,642	1,639	814	8,596	13,043	81,734
Other	28,653	1,289	-	-	28,574	58,516
Total Revenues	2,290,571	590,802	78,215	8,596	129,242	3,097,426
Expenditures:						
Current:						
General government	448,369	-	-	-	39,088	487,457
Public safety	738,566	-	-	-	93,177	831,743
Public works	152,181	676,843	159,443	72,376	-	1,060,843
Community and economic developmen	65,696	-	-	-	-	65,696
Recreation and culture	242,355	-	-	-	-	242,355
Other	34,119	-	-	-	-	34,119
Debt service:						
Principal retirement	-	-	-	-	100,000	100,000
Interest and fiscal charges	-	-	-	-	33,450	33,450
Debt issuance costs	-	-	-	46,933	-	46,933
Total Expenditures	1,681,286	676,843	159,443	119,309	265,715	2,902,596
Excess of Revenues Over (Under) Expenditures	609,285	(86,041)	(81,228)	(110,713)	(136,473)	194,830
Other Financing Sources (Uses):						
Long-term debt issued	-	-	-	2,215,000	-	2,215,000
Discount on debt issued	-	-	-	(17,150)	-	(17,150)
Transfers in	55,000	167,000	93,949	-	225,077	541,026
Transfers out	(391,000)	(95,026)	-	-	(55,000)	(541,026)
Total Other Financing Sources (Uses)	(336,000)	71,974	93,949	2,197,850	170,077	2,197,850
Net Change in Fund Balances	273,285	(14,067)	12,721	2,087,137	33,604	2,392,680
Fund Balances - July 1	634,687	23,379	64,548	-	246,054	968,668
Fund Balances - June 30	\$ 907,972	\$ 9,312	\$ 77,269	\$ 2,087,137	\$ 279,658	\$ 3,361,348

City of Coopersville
**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
 Year Ended June 30, 2006

Net change in fund balances-Total Governmental Funds \$ 2,392,680

Amounts reported for the governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation:

Current year capital outlays capitalized - general capital assets	36,677
Current year capital outlays capitalized - infrastructure capital assets	628,859
Current year depreciation expense on capitalized assets	(151,378)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds until collected or collectible within 60 days of year end

State shared revenues	72
Special assessment revenues	(1,305)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items is as follows:

Capital improvement bonds issues	(1,715,000)
Ottawa County Revolving Fund loan	(500,000)
Deferred bond issuance costs	64,083
Principal payments on long-term debt	100,000

In the statement of activities, interest is accrued on outstanding notes payable, whereas in governmental funds, an interest expenditure is reported when due

(12,628)

An internal service fund is used by management to charge the costs of certain activities, such as equipment rental, to individual funds. A portion of the net revenue (expenses) of the internal service fund is reported with governmental activities

3,493

Change in net assets of governmental activities \$ 845,553

City of Coopersville
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006

	Enterprise Funds			Internal Service Fund
	Water Supply System	Sewage Disposal System	Total	Equipment Fund
ASSETS				
Current Assets:				
Cash and investments	\$ 292,538	\$ 225,078	\$ 517,616	\$ 61,032
Receivables:				
Accounts	96,564	73,868	170,432	-
Special assessments	4,698	8,557	13,255	-
Prepaid items	-	-	-	1,000
Total Current Assets	393,800	307,503	701,303	62,032
Noncurrent Assets:				
Revenue bond covenant accounts	-	81,790	81,790	-
Capital assets	2,070,081	3,035,465	5,105,546	89,761
Total Noncurrent Assets	2,070,081	3,117,255	5,187,336	89,761
Total Assets	<u>\$2,463,881</u>	<u>\$3,424,758</u>	<u>\$5,888,639</u>	<u>\$ 151,793</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 31,169	\$ 17,546	\$ 48,715	\$ 2,904
Accrued liabilities	9,581	7,542	17,123	-
Accrued wages	1,933	2,022	3,955	280
Current portion of long-term debt	70,000	45,000	115,000	49,764
Total Current Liabilities	112,683	72,110	184,793	52,948
Noncurrent Liabilities:				
Deferred revenue	4,698	8,557	13,255	-
Long-term debt	1,175,000	615,000	1,790,000	3,427
Total Noncurrent Liabilities	1,179,698	623,557	1,803,255	3,427
Total Liabilities	<u>1,292,381</u>	<u>695,667</u>	<u>1,988,048</u>	<u>56,375</u>
NET ASSETS				
Invested in capital assets, net of related debt	825,081	2,375,465	3,200,546	36,570
Restricted for debt service	-	81,790	81,790	-
Unrestricted	346,419	271,836	618,255	58,848
Total Net Assets	<u>\$1,171,500</u>	<u>\$2,729,091</u>	<u>3,900,591</u>	<u>\$ 95,418</u>
Adjustment to reflect the consolidation of internal service funds activities to enterprise funds			<u>38,581</u>	
Net assets of business-type activities			<u>\$3,939,172</u>	

See Notes to Financial Statements

City of Coopersville
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2006

	Enterprise Funds			Internal Service Fund
	Water Supply System	Sewage Disposal System	Total	Equipment Fund
Operating Revenues:				
Water sales	\$ 475,358	\$ -	\$ 475,358	\$ -
Sewage disposal service	-	360,640	360,640	-
Charges for services	-	-	-	180,326
Fees	16,159	470	16,629	-
Total Operating Revenues	<u>491,517</u>	<u>361,110</u>	<u>852,627</u>	<u>180,326</u>
Operating Expenses:				
Cost of water	298,513	-	298,513	-
Operations and maintenance	218,685	332,833	551,518	95,675
Depreciation	118,322	145,197	263,519	74,470
Total Operating Expenses	<u>635,520</u>	<u>478,030</u>	<u>1,113,550</u>	<u>170,145</u>
Operating Income (Loss)	<u>(144,003)</u>	<u>(116,920)</u>	<u>(260,923)</u>	<u>10,181</u>
Nonoperating Revenues (Expenses):				
Hook-ups	28,099	25,100	53,199	-
Property taxes	56,331	-	56,331	-
Special assessments	134	2,525	2,659	-
Interest income	12,802	16,730	29,532	1,915
Other	11,979	-	11,979	-
Interest and fiscal charges	<u>(50,406)</u>	<u>(34,867)</u>	<u>(85,273)</u>	<u>(4,613)</u>
Total Nonoperating Revenues (Expenses)	<u>58,939</u>	<u>9,488</u>	<u>68,427</u>	<u>(2,698)</u>
Change in Net Assets	(85,064)	(107,432)	(192,496)	7,483
Net Assets - July 1	<u>1,256,564</u>	<u>2,836,523</u>		<u>87,935</u>
Net Assets - June 30	<u>\$ 1,171,500</u>	<u>\$ 2,729,091</u>		<u>\$ 95,418</u>
Adjustment to reflect the consolidation of internal service funds activities to enterprise funds			<u>3,990</u>	
Change in net assets of business-type activities			<u>\$ (188,506)</u>	

City of Coopersville
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2006

	Enterprise Funds			Internal Service Fund
	Water Supply System	Sewage Disposal System	Total	Equipment Fund
Cash Flows From Operating Activities:				
Receipts from customers	\$ 493,218	\$ 362,149	\$ 855,367	\$ -
Receipts from interfund services provided	-	-	-	180,326
Payments to suppliers	(394,978)	(172,895)	(567,873)	(68,230)
Payments to employees	(110,805)	(110,265)	(221,070)	(26,397)
Payments for interfund services used	(33,259)	(35,985)	(69,244)	-
Net Cash Provided By Operating Activities	(45,824)	43,004	(2,820)	85,699
Cash Flows From Noncapital Financing Activities:				
Other nonoperating revenues	40,212	27,625	67,837	-
Cash Flows From Capital and Related Financing Activities:				
Construction and purchase of capital assets	-	(148,851)	(148,851)	-
Principal paid on capital debt	(65,000)	(45,000)	(110,000)	(58,925)
Interest paid on capital debt	(50,406)	(34,867)	(85,273)	(4,613)
Property taxes	56,331	-	56,331	-
Net Cash Provided (Used) By Capital and Related Financing Activities	(59,075)	(228,718)	(287,793)	(63,538)
Cash Flows From Investing Activities:				
Interest received on investments	12,802	16,730	29,532	1,915
Net Increase in Cash and Investments	(51,885)	(141,359)	(193,244)	24,076
Cash and Investments - July 1	344,423	448,227	792,650	36,956
Cash and Investments - June 30	\$ 292,538	\$ 306,868	\$ 599,406	\$ 61,032
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:				
Operating income (loss)	\$ (144,003)	\$ (116,920)	\$ (260,923)	\$ 10,181
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	118,322	145,197	263,519	74,470
Change in assets and liabilities:				
Receivables	1,701	1,039	2,740	-
Accounts payable	(23,577)	13,737	(9,840)	1,272
Accrued and other liabilities	1,733	(49)	1,684	(224)
Deferred revenue	-	-	-	-
Net Cash Provided By Operating Activities	\$ (45,824)	\$ 43,004	\$ (2,820)	\$ 85,699
Cash and investments:				
Cash and investments	\$ 292,538	\$ 225,078	\$ 517,616	\$ 61,032
Revenue bond covenant accounts	-	81,790	81,790	-
	\$ 292,538	\$ 306,868	\$ 599,406	\$ 61,032

See Notes to Financial Statements

City of Coopersville
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2006

	<u>Agency Funds</u>
ASSETS	
Cash and investments	<u>\$ 19,063</u>
LIABILITIES	
Due to other units	<u>\$ 19,063</u>

City of Coopersville, Michigan
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Coopersville conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Coopersville:

A. Reporting Entity

The City of Coopersville is governed by an elected mayor and six-member council. The accompanying financial statements present the city and its component units, entities for which the city is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the city's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Blended Component Unit. The city has no blended component units.

Discretely Presented Component Unit. The Coopersville Downtown Development Authority (DDA) was created to finance improvements within the authority's district of the City. The Authority's twelve member governing board is appointed by the City Council. In addition, the Authority's budget, tax rates and bonded debt are subject to approval by the City Council. The DDA has issued debt, currently receives captured tax increment revenues, and makes debt services payments on \$1,055,000 of outstanding bonds.

Separate financial statements for the Downtown Development Authority are not prepared. The Authority's financial activity is as reflected in these accompanying financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes (state shared revenues) collected and held by the State at year end on behalf of the city and paid to the city at the end of the following August are recognized as revenue in the year received. Such amounts are not normally received within 60 days of the end of the current fiscal year and are budgeted for use by the city in the year received. Other revenue is recorded when received.

The city reports the following major governmental funds:

General Fund - The General Fund is the city's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major and Local Street Funds - The Major Street and Local Street Funds account for the resources of state gas and weight taxes that are restricted for use on major and local streets. They also account for monies received from special taxes levied for street improvement purposes and for monies received from General Fund contributions.

2006 Capital Improvement Construction Fund - This fund is used to account for street repairs, installation of new water and sewer lines, and the removal of sludge from the wastewater treatment plant. These projects are financed by a \$1,715,000 general obligation bond issue and a \$500,000 Ottawa County Revolving Loan Fund loan.

The city reports the following major proprietary funds:

Water Supply System Fund - This fund is used to account for the operation and maintenance of a water distribution system, including storage tanks, pumping stations, distribution mains and services and related equipment. Water is purchased from the City of Grand Rapids for storage and distribution to Coopersville's customers.

Sewage Disposal System Fund - This fund is used to account for the operation and maintenance of a wastewater collection system, lift stations and treatment facility.

Additionally, the city reports the following fund types:

Governmental Funds

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes and for monies received from General Fund transfers for specified purposes.

Debt Service Funds - Debt Service Funds account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital Project Funds - Capital Project Funds are used for resources accumulated for the acquisition or construction of specific capital projects or items.

Permanent Fund - The Permanent Fund is used to record the activity of the Cemetery Trust which provides funds for the perpetual care of cemetery lots.

Proprietary Funds

Internal Service Fund - The Internal Service Fund accounts for the rental of machinery, equipment, and vehicles to other departments, and related costs.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds - Agency Funds account for assets held by the city in a purely custodial capacity. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve the measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The city has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of the inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the city's water and sewer functions and various other functions of the city. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewage disposal systems fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. *Cash and Investments.*

The City maintains separate cash accounts for each of its various funds as well maintaining a pooled cash account to facilitate the management of cash.

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Investments are recorded at fair value.

2. *Receivables and Payables.*

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The property tax receivable allowance is equal to 100 percent of the outstanding property taxes. No allowance for uncollectible accounts is considered for other receivables.

3. *Inventories and Prepaid Items.*

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are not material and are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Restricted Assets.*

Certain cash and receivables of the enterprise funds are classified as restricted assets on the balance sheet because their use is limited for purposes of servicing outstanding enterprise fund general obligation bonded debt.

5. *Capital Assets.*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. General infrastructure assets acquired prior to July 1, 2003, are not reported in the basic financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year \$0 of interest expense was capitalized as part of the cost of assets under construction.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Land improvements	5-10
Machinery and equipment	5-15
Office furniture and equipment	5-20
Vehicles	3-25
Roads and sidewalks	15-25
Water and sewer systems	10-50

6. *Compensated Absences.*

City employees are entitled to certain compensated absences based on their length of employment. City employees earn vacation in varying amounts based on length of service. Unused vacation time does not accumulate past June 30 of each fiscal year.

Sick leave is accumulated at the rate of one day per month of employment. Unused sick leave accumulates from year to year to a maximum of 120 days of sick leave. Twenty-five percent of unused sick leave is paid to employees at the time termination or retirement. It is the City's policy to recognize the cost of sick leave at the time payments are made and if material, record a liability for employee terminations at year-end.

7. *Long-Term Obligations.*

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

8. *Fund Equity.*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Property Taxes

Property taxes are levied on each July 1 (lien date and due date) on the taxable valuation of property as of the preceding December 31. Real and personal property taxes are collected without additional charge from a period of 45 days from the date the bills are due. After that period of time, three percent penalty and interest at one percent per month are added to all unpaid taxes. The city continues to collect taxes until March 1, at which time the delinquent real property taxes are returned to the county for collection. The county's policy has been to pay the city for all delinquent real property taxes returned. The city continues to collect delinquent personal property taxes.

The City's 2005 ad valorem tax is levied and collectible on July 1, 2005, and is recognized as revenue in the year ended June 30, 2006, when the proceeds of this levy are budgeted and made available for the financing of operations.

The 2005 taxable valuation of the city totaled \$116,480,421 excluding abated valuations, on which ad valorem taxes levied consisted of 13.0000 mills for operating purposes, .7207 mills for sewer debt purposes, and .4351 mills for water debt purposes. This resulted in \$1,208,909 (after adjustment for amounts captured by the DDA) for operating purposes, \$83,940 for sewer debt purposes, and \$50,673 for water debt purposes.

In addition the city's 2005 taxable valuation for abated property totaled \$24,300,093 on which taxes levied consisted of 6.5000 mills for operating purposes, .3604 mills for sewer debt purposes, and .2716 mills for water debt purposes. This resulted in \$168,947 (after adjustment for amounts captured by the DDA) for operating purposes, \$9,306 for sewer debt purposes, and \$5,618 for water debt purposes.

The above amounts are recognized in the General and Water Supply System Funds as tax revenue.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principle generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

State Construction Code Act – The city oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The city charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs.

The city accounts for the activity of its building inspection department within its general fund. Following is a summary of the cumulative deficit and activity for the year ended June 30, 2006:

Surplus (deficit) - July 1, 2005	\$	5,817
Charges for services	\$	19,980
Building inspection expenditures	(34,538)	(14,558)
Surplus (deficit) - June 30, 2006	\$	<u>(8,741)</u>

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The governing body has designated several banks for the deposit of city funds. The investment policy adopted by the city in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority as listed above.

The city's deposits and investments are in accordance with statutory authority.

At year-end, the city's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total	Component Unit
Cash and investments	\$ 3,451,270	\$ 517,616	\$ 19,063	\$ 3,987,949	\$ 117,177
Revenue bond covenant accounts	-	81,790	-	81,790	-
Total	<u>\$ 3,451,270</u>	<u>\$ 599,406</u>	<u>\$ 19,063</u>	<u>\$ 4,069,739</u>	<u>\$ 117,177</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Component Unit
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 1,815,139	\$ 84,308
Money Market Funds	67,964	32,869
Investments in Investment Pools	<u>2,186,636</u>	<u>-</u>
Total	<u>\$ 4,069,739</u>	<u>\$ 117,177</u>

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the city's deposits may not be returned. The city does not have a deposit policy for custodial credit risk. At year end the bank balance of the city's deposits was \$1,924,089 of which \$1,055,182 was covered by federal depository insurance and \$868,907 was exposed to custodial credit risk because it was uninsured and uncollateralized. The city believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the city evaluates each financial institution with which it deposits city funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

Interest rate risk. Except as limited by state law as listed in the above list of authorized investments the city does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The city has no investment policy that limits its investment choices beyond those required by state law. At year end the city had \$2,254,600 in permissible money market funds and investment pools that are not separately rated. At year end, the Component Unit had \$32,869 in permissible money market funds and investment pools that are not separately rated.

B. Receivables

Receivables as of year-end for the city's individual major funds, and non-major funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Water Supply System</u>	<u>Sewage Disposal System</u>	<u>Total</u>
Receivables:						
Accounts	\$ 5,610	\$ -	\$ -	\$ 96,564	\$ 73,868	\$ 176,042
Special assessments	-	-	-	4,698	8,557	13,255
Intergovernmental	-	12,290	9,967	-	-	22,257
Gross receivables	5,610	12,290	9,967	101,262	82,425	211,554
Allowance for uncollectibles	-	-	-	-	-	-
Net Total Receivables	<u>\$ 5,610</u>	<u>\$ 12,290</u>	<u>\$ 9,967</u>	<u>\$ 101,262</u>	<u>\$ 82,425</u>	<u>\$ 211,554</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the city's governmental funds reported no deferred revenue.

C. Capital Assets

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital Assets Not Being Depreciated					
Land	\$ 130,051	\$ -	\$ -	\$ -	\$ 130,051
Construction in progress	<u>74,590</u>	<u>628,859</u>	<u>-</u>	<u>-</u>	<u>703,449</u>
Subtotal	<u>204,641</u>	<u>628,859</u>	<u>-</u>	<u>-</u>	<u>833,500</u>
Capital Assets Being Depreciated					
Building and improvements	1,242,455	32,791	-	-	1,275,246
Land improvements	1,234,876	-	-	-	1,234,876
Machinery and equipment	269,888	-	-	-	269,888
Office furniture and equipment	258,310	3,886	-	-	262,196
Vehicles	110,266	-	-	-	110,266
Equipment-Equipment Fund	403,767	-	-	-	403,767
Vehicles-Equipment Fund	330,589	-	-	-	330,589
Infrastructure	<u>151,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,482</u>
Subtotal	<u>4,001,633</u>	<u>36,677</u>	<u>-</u>	<u>-</u>	<u>4,038,310</u>
Less Accumulated Depreciation for					
Buildings and improvements	(349,718)	(37,773)	-	-	(387,491)
Land improvements	(956,737)	(80,616)	-	-	(1,037,353)
Machinery and equipment	(248,527)	(4,818)	-	-	(253,345)
Office furniture and equipment	(237,549)	(7,531)	-	-	(245,080)
Vehicles	(85,872)	(12,040)	-	-	(97,912)
Equipment-Equipment Fund	(336,910)	(31,545)	-	-	(368,455)
Vehicles-Equipment Fund	(233,215)	(42,925)	-	-	(276,140)
Infrastructure	<u>(4,894)</u>	<u>(8,600)</u>	<u>-</u>	<u>-</u>	<u>(13,494)</u>
Subtotal	<u>(2,453,422)</u>	<u>(225,848)</u>	<u>-</u>	<u>-</u>	<u>(2,679,270)</u>
Net Capital Assets Being Depreciated	<u>1,548,211</u>	<u>(189,171)</u>	<u>-</u>	<u>-</u>	<u>1,359,040</u>
Governmental Activities Total					
Capital Assets - Net of Depreciation	<u>\$ 1,752,852</u>	<u>\$ 439,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,192,540</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 100,109
Public safety	21,203
Public works	19,028
Recreation and culture	11,038
Internal service fund depreciation is charged to the various functions based on their usage of the assets	<u>74,470</u>
Total Governmental Activities	<u>\$ 225,848</u>

Business-Type Activities	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital Assets Not Being Depreciated					
Land	\$ 47,250	\$ -	\$ -	\$ -	\$ 47,250
Construction in progress	-	125,408	-	-	125,408
Subtotal	47,250	125,408	-	-	172,658
Capital Assets Being Depreciated					
Water systems	4,485,307	-	-	-	4,485,307
Sewage systems	5,675,684	23,443	-	-	5,699,127
Building	82,950	-	-	-	82,950
Machinery and equipment	19,258	-	-	-	19,258
Office furniture and equipment	28,693	-	-	-	28,693
Subtotal	10,291,892	23,443	-	-	10,315,335
Less Accumulated Depreciation for					
Water systems	(2,325,541)	(116,225)	-	-	(2,441,766)
Sewage systems	(2,691,218)	(145,173)	-	-	(2,836,391)
Building	(54,408)	(2,074)	-	-	(56,482)
Machinery and equipment	(19,163)	(23)	-	-	(19,186)
Office furniture and equipment	(28,598)	(24)	-	-	(28,622)
Subtotal	(5,118,928)	(263,519)	-	-	(5,382,447)
Net Capital Assets Being Depreciated	5,172,964	(240,076)	-	-	4,932,888
Business Type Activities Total					
Capital Assets - Net of Depreciation	\$ 5,220,214	\$ (114,668)	\$ -	\$ -	\$ 5,105,546

Depreciation expense was charged to business type activities as follows:

Water supply	\$ 118,322
Sewage disposal	145,197
Total Business-Type Activities	\$ 263,519

Construction Commitments-At June 30, 2006 the city had approximately \$1,480,000 of outstanding construction commitments for water, sewer and road projects.

D. Interfund Receivables, Payables and Transfers

At June 30, 2006, there were no interfund balances. Interfund transfers reported in the funds statements were as follows:

Transfers In	Transfers Out			
	General Fund	Major Street Fund	Non-major Governmental Funds	Total
General Fund	\$ -	\$ -	\$ 55,000 (1)	55,000
Major Street Fund	167,000 (2)	-	-	167,000
Local Street Fund	45,000 (2)	48,949 (3)	-	93,949
Community That Cares Fund	25,000 (2)	-	-	25,000
Budget Stabilization Fund	52,000 (4)	-	-	52,000
1989 LTGO Bonds Debt Fund	92,000 (5)	-	-	92,000
1998 Transportation Bonds Debt Fund	-	46,077 (5)	-	46,077
Capital Project - Future Land	10,000 (6)	-	-	10,000
	<u>\$ 391,000</u>	<u>\$ 95,026</u>	<u>\$ 55,000</u>	<u>\$ 541,026</u>

The following describes the nature of significant transfers:

- (1) Transfer to General Fund for general operating purposes
- (2) Transfer from General Fund for annual operating purposes
- (3) 25 percent transfer of gas and weight taxes as allowed by Act 51
- (4) Transfer from General Fund for budget stabilization
- (5) Transfers from Major Street and General Funds for annual debt service requirements
- (6) Transfer from General Fund for capital projects

E. Long-Term Debt

Bond and contractual obligation activity for the City can be summarized as follows:

	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
General obligation bonds						
2006 General obligation capital improvement, interest rates from 4.375%-4.55%, maturing 2026	\$ 1,715,000	\$ -	\$ 1,715,000	\$ -	\$ 1,715,000	\$ -
2006 County Revolving Fund Loan, interest rate of 3.0%, maturing 2016	500,000	-	500,000	-	500,000	43,532
1989 Road construction, interest rates from 6.75%-6.9%, maturing 2009	990,000	320,000	-	(70,000)	250,000	70,000
Michigan transportation bonds						
1998 MTF, interest rates from 4.0%-5.0%, maturing 2014	500,000	340,000	-	(30,000)	310,000	30,000
Notes payable						
Comerica Bank, interest rate of 4.95%, due 2006	52,715	11,466	-	(11,466)	-	-
Valley Ridge Bank, interest rate of 4.90%, due 2006	59,098	25,314	-	(12,375)	12,939	12,939
Valley Ridge Bank, interest rate of 4.75%, due 2007	168,515	75,336	-	(35,084)	40,252	36,825
Total Governmental Activities		<u>\$ 772,116</u>	<u>\$ 2,215,000</u>	<u>\$ (158,925)</u>	<u>\$ 2,828,191</u>	<u>\$ 193,296</u>

	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities						
Revenue Bonds						
1989 Sanitary Sewer Revenue, interest rates from 6.6% - 6.9%, maturing 2009	\$ 245,000	\$ 80,000	\$ -	\$ (20,000)	\$ 60,000	\$ 20,000
2001 Sewer System Revenue, interest rates from 4.0% - 5.3%, maturing 2021	700,000	625,000	-	(25,000)	600,000	25,000
County Contractual Obligation						
1978 Water Supply, interest rate of 5.0%, maturing 2018	1,175,000	750,000	-	(30,000)	720,000	35,000
Michigan Municipal Bond Authority						
1998 Drinking Water, interest rate of 2.5%, maturing 2014	746,618	560,000	-	(35,000)	525,000	35,000
Total Business-Type Activities		\$ 2,015,000	\$ -	\$ (110,000)	\$ 1,905,000	\$ 115,000

Bond and contractual obligation activity for the discretely presented component unit can be summarized as follows:

	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Downtown Development Authority						
General obligation bonds						
1998 DDA, interest rates from 4.1% - 5.0%, maturing 2014	\$ 1,000,000	\$ 690,000	\$ -	\$ (60,000)	\$ 630,000	\$ 65,000
1996 DDA, interest rates from 5.2% - 6.75%, maturing 2011	995,000	495,000	-	(70,000)	425,000	75,000
Total Governmental Activities		\$ 1,185,000	\$ -	\$ (130,000)	\$ 1,055,000	\$ 140,000

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ended June 30	Governmental Activities		Business-Type Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 198,296	\$ 117,134	\$ 115,000	\$ 80,670	\$ 140,000	\$ 55,140
2008	223,282	112,706	120,000	75,550	150,000	47,940
2009	231,220	101,391	135,000	69,945	155,000	40,115
2010	147,626	89,575	125,000	63,843	165,000	31,880
2011	154,075	83,852	125,000	58,825	175,000	22,955
2012-2016	758,692	321,296	715,000	209,895	270,000	27,415
2017-2021	440,000	199,725	515,000	60,230	-	-
2022-2026	550,000	91,827	55,000	1,458	-	-
2027	125,000	2,844	-	-	-	-
Total	\$ 2,828,191	\$ 1,120,350	\$ 1,905,000	\$ 620,416	\$ 1,055,000	\$ 225,445

F. Restricted Assets

Restricted assets in the business-type activities are amounts required to be set aside for debt service by Sewage Disposal System Fund revenue bond covenants as follows:

Sewage disposal revenue bond covenant amounts \$ 81,790

NOTE 4. OTHER INFORMATION

A. Risk Management

The city is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The city has purchased commercial insurance for medical benefit claims. The city participates in the Michigan Municipal League risk pool for workers' compensation claims, general liability, and property loss. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool operates as a common risk-sharing program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

B. Deferred Compensation Plan

The city offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets of the plan were held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted for any other use. The Administrators are the agents of the employer for the purpose of providing direction to the custodian of the custodial accounts from time to time for the investment of the funds held in the account, transfer of the assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the city's financial statements.

C. Pension

Plan Description – The City participates in the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 447 N. Canal Rd., Lansing, MI 48917.

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by the City Council and requires a contribution from the employees of 4 percent of gross wages for the year ended June 30, 2006.

Annual Pension Cost – For the year ended June 30, 2006 the City’s annual pension cost of \$45,761 for the plan was equal to the City’s required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, and (b) projected salary increases of 4.5 percent to 12.90 percent per year, including an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of any given year’s variation from an 8 percent return over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis over a period of 30 years.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
6/30/04	\$ 5,441	100%	None
6/30/05	24,090	100%	None
6/30/06	45,761	100%	None

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UUAL as a Percentage of Covered Payroll [(b-a)/c]</u>
12/31/03	\$ 1,253,562	\$ 1,372,770	\$ 119,208	91%	\$ 674,263	18%
12/31/04	1,336,745	1,484,186	147,441	90%	676,657	22%
12/31/05	1,440,750	1,635,093	194,343	88%	704,888	28%

Required Supplementary Information

City of Coopersville
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Taxes	\$ 1,538,859	\$ 1,538,859	\$ 1,607,825	\$ 68,966
Licenses and permits	36,000	36,000	19,980	(16,020)
State grants	-	-	52,000	52,000
State shared revenues	337,360	337,360	350,664	13,304
Charges for services	155,900	155,900	167,438	11,538
Fines and forfeits	10,250	10,250	6,369	(3,881)
Interest	17,000	17,000	57,642	40,642
Other	19,325	19,325	28,653	9,328
Total Revenues	2,114,694	2,114,694	2,290,571	175,877
Expenditures:				
Current:				
General Government:				
City Council	25,671	25,671	24,056	1,615
Manager	107,395	110,395	109,283	1,112
Elections	4,800	4,800	2,529	2,271
Assessor	30,264	30,264	28,789	1,475
Attorney	16,000	26,000	17,381	8,619
Clerk	57,951	57,951	55,568	2,383
Board of Review	1,205	1,205	971	234
Treasurer	76,668	76,668	73,857	2,811
Computer services	27,600	27,600	19,531	8,069
Building and grounds	143,885	143,885	105,404	38,481
Cemetery	11,000	11,000	11,000	-
Total General Government	502,439	515,439	448,369	67,070
Public Safety:				
Police	26,417	26,417	26,201	216
Sheriff	419,735	474,735	471,767	2,968
Fire department	111,900	111,900	105,500	6,400
Emergency unit	71,827	71,827	62,560	9,267
Building inspector	36,396	36,396	34,538	1,858
Civil defense	45,128	45,128	38,000	7,128
Total Public Safety	711,403	766,403	738,566	27,837
Public Works:				
Street lighting	34,750	35,950	38,625	(2,675)
Sanitation	93,984	98,984	98,112	872
Storm sewer	29,459	29,459	14,101	15,358
Highway street and bridges	7,000	7,000	1,343	5,657
Total Public Works	165,193	171,393	152,181	19,212

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Community and Economic Development				
Planning and zoning administration	<u>75,872</u>	<u>75,872</u>	<u>65,696</u>	<u>10,176</u>
Recreation and Culture:				
Parks	172,714	172,714	147,441	25,273
Recreation	105,701	105,701	94,914	10,787
Library	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total Recreation and Culture	<u>288,415</u>	<u>288,415</u>	<u>242,355</u>	<u>46,060</u>
Other:				
Insurance	<u>41,750</u>	<u>41,750</u>	<u>34,119</u>	<u>7,631</u>
Total Expenditures	<u>1,785,072</u>	<u>1,859,272</u>	<u>1,681,286</u>	<u>177,986</u>
Excess Of Revenues Over Expenditures	<u>329,622</u>	<u>255,422</u>	<u>609,285</u>	<u>353,863</u>
Other Financing Sources (Uses):				
Transfers in	70,000	70,000	55,000	(15,000)
Transfers out	<u>(378,198)</u>	<u>(430,198)</u>	<u>(391,000)</u>	<u>39,198</u>
Total Other Financing Sources (Uses)	<u>(308,198)</u>	<u>(360,198)</u>	<u>(336,000)</u>	<u>24,198</u>
Net Change in Fund Balances	21,424	(104,776)	273,285	378,061
Fund Balances - July 1	<u>634,687</u>	<u>634,687</u>	<u>634,687</u>	<u>-</u>
Fund Balances - June 30	<u>\$ 656,111</u>	<u>\$ 529,911</u>	<u>\$ 907,972</u>	<u>\$ 378,061</u>

City of Coopersville, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final
				Budget
Revenues:				
Federal grants	\$ 400,000	\$ 400,000	\$ 387,230	\$ (12,770)
State shared revenues	206,800	206,800	200,644	(6,156)
Interest	750	750	1,639	889
Other	1,700	1,700	1,289	(411)
Total Revenues	<u>609,250</u>	<u>609,250</u>	<u>590,802</u>	<u>(18,448)</u>
Expenditures:				
Current:				
Public Works:				
Construction	1,195,000	1,195,000	532,229	662,771
Surface maintenance	143,841	143,841	108,178	35,663
Winter maintenance	28,497	28,497	28,342	155
Administration	7,594	8,094	8,094	-
Total Public Works	<u>1,374,932</u>	<u>1,375,432</u>	<u>676,843</u>	<u>698,589</u>
Total Expenditures	<u>1,374,932</u>	<u>1,375,432</u>	<u>676,843</u>	<u>698,589</u>
Excess Of Revenues Over Expenditures	<u>(765,682)</u>	<u>(766,182)</u>	<u>(86,041)</u>	<u>680,141</u>
Other Financing Sources (Uses):				
Bond proceeds	700,000	700,000	-	(700,000)
Transfers in	167,000	167,000	167,000	-
Transfers out	(96,578)	(96,578)	(95,026)	1,552
Total Other Financing Sources (Uses)	<u>770,422</u>	<u>770,422</u>	<u>71,974</u>	<u>(698,448)</u>
Net Change in Fund Balances	4,740	4,240	(14,067)	(18,307)
Fund Balances - July 1	<u>23,379</u>	<u>23,379</u>	<u>23,379</u>	<u>-</u>
Fund Balances - June 30	<u>\$ 28,119</u>	<u>\$ 27,619</u>	<u>\$ 9,312</u>	<u>\$ (18,307)</u>

City of Coopersville, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
State shared revenues	\$ 79,993	\$ 79,993	\$ 77,401	\$ (2,592)
Interest	100	100	814	714
Total Revenues	80,093	80,093	78,215	(1,878)
Expenditures:				
Current:				
Public Works:				
Construction	35,000	35,000	-	35,000
Surface maintenance	130,022	130,022	112,112	17,910
Winter maintenance	37,317	37,317	36,963	354
Administration	9,868	10,368	10,368	-
Total Public Works	212,207	212,707	159,443	53,264
Total Expenditures	212,207	212,707	159,443	53,264
Excess Of Revenues Over (Under) Expenditures	(132,114)	(132,614)	(81,228)	51,386
Other Financing Sources (Uses):				
Transfers in	134,500	134,500	93,949	(40,551)
Net Change in Fund Balances	2,386	1,886	12,721	10,835
Fund Balances - July 1	64,548	64,548	64,548	-
Fund Balances - June 30	\$ 66,934	\$ 66,434	\$ 77,269	\$ 10,835

City of Coopersville, Michigan
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2006

NOTE - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

Before June 30, the proposed budget is presented to the City's Council for review. The Council holds public hearings and a final budget must be prepared and adopted no later than June 30.

The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter total expenditures of any fund must be approved by City Council.

The appropriated budget is prepared by fund, function, and activity. Budgetary control over expenditures is exercised by the City Council. Appropriated budgets are amended by a majority vote of the City Council. The legal level of budgetary control is the activity level. The City Council made several supplemental budgetary appropriations throughout the year.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

B. Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the city incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

Budget Items	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
General Fund - Public Works - Street lighting	\$ 35,950	\$ 38,625

Supplemental Data

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes and for monies received from General Fund transfers for specified purposes.

Debt Service Funds

Debt Service Funds account for resources accumulated and payment made for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects Funds

Capital Project Funds are used to account for resources accumulated for the acquisition or construction of specific capital projects or items.

Permanent Funds

The Permanent Fund is used to record the activity of the Cemetery Trust which provides funds for the perpetual care of cemetery lots.

City of Coopersville
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2006

	Nonmajor Special Revenue Funds					Debt	
	Coopersville- Polkton Cemetery Authority	Community That Cares	Community Promotions	Budget Stabilization	Total	1998 1989 LTGO Bonds Debt Service	Transportation Bonds Debt Service
ASSETS							
Cash	<u>\$ 69,500</u>	<u>\$ 38,329</u>	<u>\$ 795</u>	<u>\$ 103,554</u>	<u>\$ 212,178</u>	<u>\$ 15,893</u>	<u>\$ 2,305</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	<u>\$ -</u>	<u>\$ 4,471</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,471</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:							
Reserved:							
Debt service	-	-	-	-	-	15,893	2,305
Perpetual care-nonexpendable	-	-	-	-	-	-	-
Unreserved-reported in:							
Special Revenue Funds	69,500	33,858	795	103,554	207,707	-	-
Capital Projects Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>69,500</u>	<u>33,858</u>	<u>795</u>	<u>103,554</u>	<u>207,707</u>	<u>15,893</u>	<u>2,305</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 69,500</u>	<u>\$ 38,329</u>	<u>\$ 795</u>	<u>\$ 103,554</u>	<u>\$ 212,178</u>	<u>\$ 15,893</u>	<u>\$ 2,305</u>

Service Funds		Capital Projects Funds			Permanent Fund	Total Nonmajor Governmental Funds
2006 Capital Improvement Bonds	Total	Capital Project	Capital Project Future Land	Total	Cemetery Trust	
<u>\$ 4,856</u>	<u>\$ 23,054</u>	<u>\$ 626</u>	<u>\$ 41,956</u>	<u>\$ 42,582</u>	<u>\$ 6,315</u>	<u>\$ 284,129</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,471</u>
4,856	23,054	-	-	-	-	23,054
-	-	-	-	-	6,315	6,315
-	-	-	-	-	-	207,707
<u>-</u>	<u>-</u>	<u>626</u>	<u>41,956</u>	<u>42,582</u>	<u>-</u>	<u>-</u>
<u>4,856</u>	<u>23,054</u>	<u>626</u>	<u>41,956</u>	<u>42,582</u>	<u>6,315</u>	<u>237,076</u>
<u>\$ 4,856</u>	<u>\$ 23,054</u>	<u>\$ 626</u>	<u>\$ 41,956</u>	<u>\$ 42,582</u>	<u>\$ 6,315</u>	<u>\$ 241,547</u>

City of Coopersville
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	Nonmajor Special Revenue Funds					Debt	
	Coopersville- Polkton Cemetery Authority	Community That Cares	Community Promotions	Budget Stabilization	Total	1989 LTGO Bonds Debt Service	1998 Transportation Bonds Debt Service
Revenues:							
Local unit contributions	\$ 22,000	\$ 50,200	\$ -	\$ -	\$ 72,200	\$ -	\$ -
Charges for services	15,425	-	-	-	15,425	-	-
Interest and rent	2,010	1,145	32	5,108	8,295	3,097	93
Other	-	28,574	-	-	28,574	-	-
Total Revenues	39,435	79,919	32	5,108	124,494	3,097	93
Expenditures:							
Current:							
General government	39,088	-	-	-	39,088	-	-
Public safety	-	93,177	-	-	93,177	-	-
Debt service:							
Principal retirement	-	-	-	-	-	70,000	30,000
Interest and fiscal charges	-	-	-	-	-	22,198	16,077
Total Expenditures	39,088	93,177	-	-	132,265	92,198	46,077
Excess of Revenues Over (Under) Expenditures	347	(13,258)	32	5,108	(7,771)	(89,101)	(45,984)
Other Financing Sources (Uses):							
Transfers in	-	25,000	-	52,000	77,000	92,000	46,077
Transfers out	-	-	-	(55,000)	(55,000)	-	-
Total Other Financing Sources (Uses)	-	25,000	-	(3,000)	22,000	92,000	46,077
Net Change in Fund Balances	347	11,742	32	2,108	14,229	2,899	93
Fund Balances - July 1	69,153	22,116	763	101,446	193,478	12,994	2,212
Fund Balances - June 30	\$ 69,500	\$ 33,858	\$ 795	\$ 103,554	\$ 207,707	\$ 15,893	\$ 2,305

Service Funds		Capital Projects Funds			Permanent Fund	Total Nonmajor Governmental Funds
2006 Capital Improvement Bonds	Total	Capital Project	Capital Project - Future Land	Total	Cemetery Trust	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,200
-	-	-	-	-	-	15,425
31	3,221	25	1,261	1,286	241	13,043
-	-	-	-	-	-	28,574
31	3,221	25	1,261	1,286	241	129,242
-	-	-	-	-	-	39,088
-	-	-	-	-	-	93,177
-	100,000	-	-	-	-	100,000
(4,825)	33,450	-	-	-	-	33,450
(4,825)	133,450	-	-	-	-	265,715
4,856	(130,229)	25	1,261	1,286	241	(136,473)
-	138,077	-	10,000	10,000	-	225,077
-	-	-	-	-	-	(55,000)
-	138,077	-	10,000	10,000	-	170,077
4,856	7,848	25	11,261	11,286	241	33,604
-	15,206	601	30,695	31,296	6,074	246,054
\$ 4,856	\$ 23,054	\$ 626	\$ 41,956	\$ 42,582	\$ 6,315	\$ 279,658

Supplemental Data

Discretely Presented Component Unit

General Fund

The General Fund is the Downtown Development Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

Debt Service Funds

Debt Service Funds of the Downtown Development Authority account for resources accumulated and payment made for principal and interest on long-term debt of the Authority.

Capital Projects Funds

The Capital Projects Fund of the Downtown Development Authority accounts for resources accumulated for the acquisition or construction of specific capital projects or items.

City of Coopersville
 COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
 COMBINING BALANCE SHEET
 June 30, 2006

ASSETS	General	1990 DDA Debt Fund	1994 DDA Debt Fund	1995 DDA Debt Fund	1996 DDA Debt Fund	1998 DDA Debt Fund	DDA Construction	Totals
Cash and investments	\$ 85,785	\$ -	\$ -	\$ 282	\$ -	\$ 13,497	\$ 17,613	\$ 117,177
Assessments receivable	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 85,785	\$ -	\$ -	\$ 282	\$ -	\$ 13,497	\$ 17,613	\$ 117,177
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 3,835	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,835
Deferred revenue	-	-	-	-	-	-	-	-
Total Liabilities	3,835	-	-	-	-	-	-	3,835
Fund Balances:								
Unreserved	81,950	-	-	282	-	13,497	17,613	113,342
TOTAL LIABILITIES AND FUND BALANCES	\$ 85,785	\$ -	\$ -	\$ 282	\$ -	\$ 13,497	\$ 17,613	

Amounts reported for the Component Unit in the statement of net assets are different because:

Interest accrued on outstanding bonds payable is not reported in the funds	(9,190)
Long term liabilities are not due and payable in the current period and are not reported in the funds	(1,055,000)
Net Assets (Deficit) of the Component Unit	\$ (950,848)

City of Coopersville
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2006

	General	1990 DDA Debt Fund	1994 DDA Debt Fund	1995 DDA Debt Fund	1996 DDA Debt Fund	1998 DDA Debt Fund	DDA Construction	Totals
Revenues:								
Taxes	\$ 390,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 390,000
Charges for services	11,604	-	-	-	-	-	-	11,604
Interest	8,697	107	11	12	-	541	113	9,481
Total Revenues	410,301	107	11	12	-	541	113	411,085
Expenditures:								
Current:								
Community and economic development	155,377	1,970	569	-	-	-	-	157,916
Debt Service:								
Principal retirement	-	-	-	-	70,000	60,000	-	130,000
Interest and fiscal charges	-	-	-	-	28,950	32,975	-	61,925
Total Expenditures	155,377	1,970	569	-	98,950	92,975	-	349,841
Excess (Deficiency) of Revenues Over (Under) Expenditures	254,924	(1,863)	(558)	12	(98,950)	(92,434)	113	61,131
Other Financing Sources (Uses):								
Transfers in	-	-	-	-	98,950	92,975	17,500	209,425
Transfers out	(209,425)	-	-	-	-	-	-	(209,425)
Total Other Financing Sources (Uses)	(209,425)	-	-	-	98,950	92,975	17,500	-
Net Change in Fund Balances	45,499	(1,863)	(558)	12	-	541	17,613	61,244
Fund Balances, July 1	36,451	1,863	558	270	-	12,956	-	-
Fund Balances, June 30	\$ 81,950	\$ -	\$ -	\$ 282	\$ -	\$ 13,497	\$ 17,613	-

Amounts reported for the Component Unit's activities in the statement of activities are different because:

In the statement of activities, interest is accrued on outstanding bonds payable, whereas in governmental funds, an interest expenditure is reported when due

1,093

Repayments of bonds payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets

130,000

Change in Net Assets of the Component Unit

\$ 192,337